United Nations DP/2018/17

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
5 July 2018

Original: English

Second regular session 2018
4 to 7 September 2018, New York
Item 1 of the provisional agenda
Organizational matters

Report of the annual session 2018 (4 to 8 June 2018, New York)

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I. Organizational matters

1. The annual session 2018 of the Executive Board of UNDP, UNFPA and UNOPS was held at the United Nations headquarters in New York from 4 to 8 June 2018.

2. The Executive Board approved the agenda and workplan for its annual session 2018 (DP/2018/L.2), and approved the report of the first regular session 2018 (DP/2018/8).

3. Decisions adopted by the Executive Board at the annual session 2018 appeared in document DP/2018/18, which was available on the Executive Board website.

4. The Executive Board agreed in decision 2018/15 to the following schedule for future sessions of the Executive Board in 2018:

Second regular session 2018: 4 to 7 September 2018.

UNDP segment

II. Statement by the Administrator and annual report of the Administrator

5. In his statement, the Administrator underscored that the Board meeting was taking place at a time of huge changes for the world and the United Nations. He focused on key UNDP areas of work and results achieved in 2017. He pointed to the global challenges the United Nations faced: (a) the fourth industrial revolution; (b) soaring inequality; (c) persistent poverty; (c) climate change; and (d) conflict, fragility and displacement. The 2030 Agenda for Sustainable Development and the Sustainable Development Goals were the framework that would guide the United Nations and UNDP through a complex terrain. UNDP would work with countries and partners using its expertise in governance and poverty eradication to map pathways toward sustainability. The Strategic Plan, 2018-2021, gave UNDP the mandate to operate through its signature solutions in response to country demand in collaboration with UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) through the common chapter. The Administrator presented his report on results for 2017 and progress on the Strategic Plan, 2018-2021 (DP/2018/10), the report of UNDP on the recommendations of the Joint Inspection Unit in 2017 (DP/2018/10/Add.1) and the statistical annex (DP/2018/10/Add.2).

6. UNDP had shown strong performance in 2017, with highest delivery on record, management efficiency improvements, an unqualified audit, top ranking on the Aid Transparency index, and a first among partners in value for money, according to Aid Data. Regular (core) funding nevertheless remained low along with continued imbalance with other (non-core) resources, at 13 to 87 per cent, which presented serious implications for its accountability to deliver and remain sustainable. Multi-year core contributions were therefore key. UNDP was undertaking initiatives to align its programme and business model to its strategic plan. That included simplifying and streamlining its business model; strengthening policy, programme, management and operations; revising its project management guidelines; setting up a new country investment facility for innovation; designing a new private sector strategy; and launching Project Catalyst, Project T, and the Global Islamic Finance Impact Investment Platform. South-South cooperation figured prominently in those initiatives and almost all country offices reported engaging in South-South and triangular cooperation. UNDP would continue to host and support the United Nations Office for South-South Cooperation (UNOSSC).

7. UNDP embraced the ambition of General Assembly resolution 72/279 on the repositioning the United Nations development system. After more than 40 years as custodian of the resident coordinator system, UNDP had set up a transition management team to facilitate the system's

transition from UNDP to the United Nations Secretariat, while ensuring uninterrupted momentum in delivery of its strategic plan. UNDP support to the resident coordinator system would remain substantial. Gender parity within UNDP was a top priority. Over half of UNDP staff were women, though that number dropped at senior management levels. Gender gaps persisted in terms of empowerment, advancement opportunities and general experience. UNDP had approved a new gender parity strategy, 20182021 that aimed to drive corporate cultural change through a comprehensive roadmap, in line with the System-wide Strategy on Gender Parity. The organization was committed to zero tolerance on sexual exploitation and abuse and sexual harassment, and to evaluation, audit, ethics, accountability and transparency.

8. Across the Board, members expressed strong support for the Administrator's leadership in guiding UNDP in implementing United Nations reform. They welcomed UNDP progress in 2017, commitment to resilience building, and proposed workplan for engagement with the Board. They showed strong support for General Assembly resolution 72/279, and looked forward to United Nations organizations proactively working together toward its implementation through integrated, system-wide delivery. At the centre of reforms was the need to focus on prevention, strengthening governance structures and taking a system-wide approach to sustaining peace and breaking the poverty cycle. UNDP had a key role to play in the United Nations Sustainable Development Group and the Secretary-General's transition team for the repositioning of the United Nations development system. UNDP should maintain a strong country presence in strengthening the revamped resident coordinator system. At the same time, the organization needed to focus on its own activities, based on its comparative advantages. There was a call for UNDP to be cautious in engaging in activities outside its mandate, especially in the areas of peace and security.

9. A group of delegations encouraged all United Nations organizations and UNDP to: (a) align strategic plans with resolution 72/279 and set plans for delivery; (b) make available full contributions to the expanded cost-sharing mechanism for the resident coordinator system; (c) devise a system-wide strategic document stipulating comparative and collaborative advantages and plans to strengthen system-wide results reporting through an independent evaluation unit; (d) review, at country level, the new approach's implications for the United Nations system, and report its potential impact on the UNDP business model to the Board; and (e) move rapidly toward common premises and common business operations. They underscored the importance of greater accountability and transparency.

10. Another group of delegations commended UNDP for its support to national policies and capacity building for the development and achievement of the Goals, in accordance with national ownership. They stressed that UNDP was at the core of the United Nations development system and would remain there. The 2030 Agenda required an integrated approach to sustainable development and collective action, with the overarching goal to eradicate poverty in all dimensions. UNDP had a key role to play in implementing the 2030 Agenda through its mandate and Strategic Plan, 20182021. UNDP should coordinate its development work with humanitarian and peacebuilding actors in a context-specific manner, in line with the 2016 quadrennial review and General Assembly resolution 72/279. The group underscored its strong support for South-South cooperation and role of UNOSSC.

11. A group of delegations drew attention to the challenges of the least developed countries (LCDs), which, despite accelerated development, remained vulnerable due to conflict, natural disasters and displacement. The group urged UNDP to target its programmes and skills in LDCs to priority areas set out in the Istanbul Programme of Action and through support to South-South cooperation, especially for poverty eradication and structural transformation of economies, and to support countries dragging in their implementation of certain Goals. Fully supportive of resolution 72/279, the group stressed it was critical for LDCs that United Nations development system repositioning did not disrupt development activities and coordination among United Nations organizations.

12. Delegations from the small island developing states (SIDS) called on UNDP to continue its support for the SIDS Accelerated Modalities of Action (SAMOA) Pathway to address countries' unique challenges and extreme vulnerability to climate change. South-South cooperation and UNDP support to UNOSSC had to play a central role in addressing SIDS development challenges. They reiterated their request in General Assembly resolution 71/243 for the Secretary-General to conduct a review of the configuration, capacity, resource needs and development services of multi-country offices that serviced SIDS. A condensed approach to the offices could result in cost savings to channel into programming.

13. Delegations across the board expressed serious concern over the continued core/non-core resource imbalance. They stressed the importance of predictable, multi-year, unearmarked funding to core resources to ensure UNDP was able to fulfil its mandate, and refused any trend toward normalizing non-core as the main funding base. They encouraged UNDP to continue to pursue incentives and mechanisms to broaden its donor base and explore innovative partnerships, building on its structured funding dialogue. A group of delegations appealed to Member States to meet their official development assistance commitments, and noted that the domestic mobilization of resources, when requested by programme countries, had to be additional to, and not a replacement for, ensuring adequate quantity and quality of funding. They stressed that a lack of core resources jeopardized United Nations reform. There was a call for continued Board discussions of cost recovery.

14. Board members welcomed UNDP actions to address sexual exploitation and abuse and sexual harassment in the workplace by revising its policy framework for greater reporting, accountability, prevention and awareness raising and by setting up a task force on sexual harassment. Delegations expressed strong support for the forthcoming UNDP gender equality strategy, 2018-2021, and for the human rights-based approach as integral to achieving sustainable development. Noting that UNDP had not presented a separate progress update on results for 2017, they reiterated the importance of yearly reporting to the Board on the implementation of the UNDP gender quality strategy, 2018-2021 moving forward.

15. In response, the Administrator highlighted that gender equality in UNDP was close to 50 per cent in 2018, and it continued to mainstream gender in programme and operations. The Administrator noted that UNDP had integrated gender reporting into his annual report, and confirmed that UNDP would submit its gender equality strategy, 2018-2021 at the second regular session 2018. UNDP remained committed to the SAMOA Pathway and assisting SIDS – UNDP had dedicated over $200 million across fifteen thematic areas for SIDS priorities. UNDP was committed to implementing the common chapter of the strategic plans, and to reporting on progress to the Board. Attracting funding for core resources remained a challenge, due in part to the need to realign expectations of donor countries, United Nations organizations and programme countries and counter scepticism about development finance and multilateralism. As an integrator force for United Nations system-wide coherence, the MAPS approach was the primary vector for integrating the Goals in national development plans. UNDP was committed to ensuring a smooth transition in implementing resolution 72/279 and in delinking the resident coordinator system from UNDP. However, as per new governance rules under the reform, UNDP was no longer accountable for the resident coordinator system. On peace and prevention, UNDP did not encroach on Security Council mandated areas but was engaged in work grounded in its development mandate. UNDP continued to embrace its role as innovation and thought leader and sought to empower staff at country level to deliver innovative solutions.

16. The Director, Bureau for Policy and Programme Support, UNDP, highlighted that UNDP was aligning its policy functions to facilitate the transition from the Millennium Development Goals to the Sustainable Development Goals, and to adapt to the repositioning of the United Nations development system. Because countries with the greatest innovations had the highest level of programme delivery and development effectiveness, UNDP was working to leverage the

power of innovation and connect its 'atolls of excellences' on innovation to accelerate implementation of the Goals through its country-level Sustainable Development Goals platforms.

17. The Executive Board adopted decision 2018/5 on the report of the Administrator on results for 2017 and progress on the Strategic Plan, 2018-2021.

III. South-South cooperation

18. The Envoy of the Secretary-General on South-South Cooperation and Director, United Nations Office for South-South Cooperation, presented the strategic framework of the United Nations Office for South-South Cooperation (UNOSSC), 2018-2021 (DP/CF/SSC/6).

19. Board members welcomed the strategic framework and expressed strong support for South-South and triangular cooperation as crucial for the implementation and achievement of the 2030 Agenda and the Sustainable Development Goals. They underscored the central role of UNOSSC within the United Nations development system and among partners in advancing, coordinating and mainstreaming South-South and triangular cooperation in accordance with its mandate.

20. A group of delegations welcomed the framework's focus on using South-South and triangular cooperation to support Member States to eradicate poverty, reduce inequalities and build capacity. Noting that South-South cooperation helped to strengthen international cooperation to achieve the Goals, they stressed that South-South cooperation was not a substitute for but rather a complement to North-South cooperation. They appreciated that the framework reflected South-South principles, as laid out in the Nairobi outcome document of the High-level Committee on South-South Cooperation (A/RES/64/222), General Assembly resolutions and policy documents, and underlined that the countries of the South had to set the South-South agenda, in accordance with the principles of respect for national sovereignty, national ownership, equality, non-conditionality, non-interference in domestic affairs and mutual benefit. They appreciated that the framework supported and informed developing countries' national policy dialogue and enabled greater access to knowledge, best practices and development solutions. They called for the strengthening of UNOSSC to fulfil its mandate.

21. Another group of delegations highlighted that South-South cooperation helped to provide finance, create the enabling environment and develop multi-stakeholder partnerships to move financing of the Goals to higher levels. The Nairobi outcome document had highlighted that South-South and traditional development cooperation both sought to enhance development effectiveness by increasing mutual accountability and transparency, coordinating activities with development programmes, and embracing a multi-stakeholder approach that contributed to meeting national development challenges. The Goals provided the framework through which the two varieties of cooperation were to be brought together. The group highlighted that, as host, UNDP had protected the UNOSSC budget from austerity measures. They requested details on the status of UNOSSC budget, monitoring, evaluation and results reporting; the issuance of an annual report; UNOSSC audit and oversight functions; and alignment with UNDP transparency requirements. Recognizing UNOSSC efforts to address audit shortcomings and fundraising activities, the group underlined the importance for UNDP to exercise oversight and provide support to UNOSSC, and update the Board.

22. In response, the Director, UNOSSC, highlighted that the General Assembly and the High-level Committee had called on Member States to make extra-budgetary, in-kind contributions or secondments to UNOSSC. The Board had to determine when UNOSSC should report on its budget, monitoring and evaluation results; UNOSSC was committed to transparency and would issue its annual report for 2018 in 2019. UNOSSC was engaged with the UNDP Office for Audit and Investigations, had fully implemented its 16 recommendations, and was aligned with UNDP corporate practices in that area. The office worked with the UNDP Independent Evaluation Office and had implemented its evaluation plan of the previous cycle, 2014-2017; the office was in the

process of implementing the new evaluation plan, 2018-2021. He invited Board members to provide suggestions on UNOSSC evaluation results on its online portal. UNOSSC also reported to the General Assembly through the annual report of the Secretary-General, and to the High-level Committee on South-South Cooperation through the biennial report of the UNDP Administrator. UNOSSC had deepened its partnership with United Nations organizations, notably in designing a system-wide strategy and common platform on South-South cooperation. He looked forward to Member States' recommendations on strengthening UNOSSC at the 2019 Second High-level Conference on South-South Cooperation.

23. The Board took note of the strategic framework of the United Nations Office for South-South Cooperation, 2018-2021.

IV. Human Development Report

24. The Director, Human Development Report Office, provided the Board with an update on the *Human Development Report* consultations held in various fora in 2017 and 2018, in accordance with General Assembly resolution 57/264.

25. No Board members intervened to comment on this item.

26. The Executive Board took note of the update on the *Human Development Report* consultations.

V. Country programmes and related matters

27. The Associate Administrator, UNDP, provided an overview of the country programme documents (CPD) and the country programme extensions up for Board approval. In turn, the Deputy Director, Regional Bureau for Africa, presented the country programme documents for Kenya, Malawi and Rwanda.

28. The Board also considered the first one-year extensions of the country programmes for Kuwait, the Republic of the Congo and Sierra Leone, as well as the second one-year extension of the country programme for the Syrian Arab Republic.

29. Following discussions, the Executive Board approved, in accordance with its decision 2014/7, the country programme document for Kenya (DP/DCP/KEN/3), the country programme document for Malawi (DP/DCP/MWI/3) and the country programme document for Rwanda (DP/DCP/RWA/2).

30. The Executive Board took note of the first one-year extensions of the country programmes for Kuwait, the Republic of the Congo and Sierra Leone, as contained in document DP/2018/11.

31. The Executive Board approved the second one-year extension of the country programme for the Syrian Arab Republic, as contained in document DP/2018/11.

VI. Evaluation

32. The Director, Independent Evaluation Office (IEO), UNDP, presented the annual report on evaluation (DP/2018/12), and the Director, Bureau for Policy and Programme Support, UNDP, provided the status of implementation of the Independent Evaluation Office recommendations (DP/2018/12/Add.1).

33. A group of delegations welcomed the report and the comprehensive evaluation of the UNDP Strategic Plan, 2014-2017, and, while pleased with its many improvements, encouraged UNDP to go further. The group acknowledged the increased number of *decentralized evaluations* but expressed concern with their qualitative decline between 2016 and 2017. They requested that

UNDP and IEO improve the quality of decentralized evaluations. UNDP and IEO had to address recurring issues related to independent country programme evaluations, such as support for gender equality and monitoring and evaluation. They appreciated IEO success in covering 100 per cent of evaluations submitted. The group welcomed the comprehensive review of the implementation of *management response actions* from thematic and country programme evaluations, and acknowledged that most recommendations had a high management response rate – while noting that the actual implementation rate and reporting remained weak. They encouraged UNDP to engage with United Nations organizations whose performance was stronger. They requested details on what UNDP was doing to ensure accountability and transparency of implementation. The group welcomed the *increased resource allocations for IEO*, but, noting that funding for evaluations continued to lag behind the 1 per cent benchmark, requested that UNDP meet the target for a stronger evaluation function. The group welcomed efforts of the Deputy Secretary-General and IEO Director to work with the United Nations Evaluation Group to discuss the future of *system-wide evaluations*, and called on UNDP and IEO to support independent system-wide evaluation capacity. Similarly, they encouraged UNDP to engage with UNFPA, UNICEF and UN-Women toward a common multi-year evaluation plan, and sought information on plans for joint country portfolio evaluations.

34. In response, the Director, Bureau for Policy and Programme Support, UNDP, stressed that while it had not met the 1 per cent benchmark for evaluation funding, UNDP had invested in IEO and adhered to its 0.2 per cent of programme resources for IEO. UNDP would review the bottlenecks to evaluation funding and develop guidance for financial and human resource allocations to delineate evaluation costs and related expenses. The decreased quality of evaluations was the outcome of analysis of trends over a short time period; evaluations had actually increased in quality over the long term. UNDP had made significant strides in strengthening analytical capacities and was building its results architecture to allow the organization to use results for learning. To build its evaluation capacity and increase the number of evaluations, UNDP planned to conduct compliance implementation analyses, organize quarterly meetings with headquarters bureaux and improve oversight capacity. The organization would institutionalize annual midterm reviews and provide more training in planning and budgeting.

35. The Director, Independent Evaluation Office, UNDP, highlighted that IEO had been working with the Bureau for Policy and Programme Support to strengthen decentralized evaluation capacity. He pointed out that there was a direct relationship between clear leadership in management responses and a higher response rate overall. It was important for UNDP management to maintain pressure on offices to respond to evaluation recommendations. He underlined that the 0.2 per cent programming allocation to evaluation had had notable impact on evaluation coverage and numbers, without sacrificing quality. While difficult, joint evaluations were necessary, and IEO continued to engage with United Nations organizations' independent audit and oversight units. The audit units were closely engaged in devising evaluation guidelines for the Sustainable Development Goals, and beginning to collaborate on methods to evaluate the common chapter of the strategic plans, including on joint programmes.

36. The Executive Board adopted decision 2018/6 on UNDP evaluation.

VII. United Nations Capital Development Fund

37. The Associate Administrator, UNDP, introduced the item and the Executive Secretary, United Nations Capital Development Fund (UNCDF), presented the report on results achieved by UNCDF in 2017 (DP/2018/13).

38. Board members commended the Fund for its achievements in 2017 and highlighted its unique role within the United Nations development system in addressing the needs of least developed countries (LDCs). They encouraged the Fund to continue to work in places where other financing

sources were scarce or unavailable. They welcomed UNCDF results in 2017 in financial inclusion and local economic development, and focus on financing gaps and smooth transition of graduating countries. The LDCs in particular welcomed the Fund's crowding in of resources and use of a wider range of risk-sharing instruments and approaches. The demonstrated effects of that work set the path for others to follow in getting finance flowing to most vulnerable countries.

39. Delegations commended UNCDF for its consistent engagement with United Nations development organizations through joint programming. Efficient, effective, innovative in financing development, and ready to work with all stakeholders in public and private spheres, UNCDF was commended for being a model for United Nations reform. They encouraged other United Nations organizations to seek partnerships with the Fund when building expertise and instruments for innovative finance, given UNCDF comparative advantages in creating and deploying financial instruments to reach the poor and tackle inequality. They encouraged the Fund to share its expertise across the United Nations system and with partners.

40. Board members welcomed the Fund's partnerships focused on new, innovative blended financing mechanisms, including with non-traditional development actors. It would be crucial to drive large-scale investments towards sustainable development, including from private capital and domestic investors. The UNCDF LDC investment platform ensured financial additionality by mobilizing finance where it otherwise would not flow. There was a call for UNCDF to focus on core competencies in inclusive finance and local development by scaling up best practices and being judicious in investing in what worked best.

41. Delegations commended UNCDF for responding to 2017 midterm review recommendations, while encouraging it to address those that remained outstanding. They welcomed the Fund's engagement with the UNDP Independent Evaluation Office, its consistently unqualified audits, and improvements in monitoring and evaluation through its updated integrated results and recourse framework. They were pleased with the framework's annex, outlining a theory of change for supporting gender equality and women's economic empowerment.

42. Board members emphasized the importance of adequate funding for UNCDF to carry out its mandate for LDCs. They encouraged countries to consider contributing to the Fund's core resources. They stressed the need to attract private sector investment for sustainable development, since official development assistance – while essential – could not meet the needs of developing countries. It was crucial to devise accessible, diversified products to meet the needs of potential investors. UNCDF used donor funding to catalyse follow-on investments from domestic banks and private actors in poor countries and worked with the private sector to build sustainable business models that met the needs of the poor while building local government capacity.

43. In response, the Executive Secretary reiterated the Fund's commitment to share experiences with the wider United Nations development system and partners. UNCDF would remain active in the United Nations Sustainable Development Group's thematic results groups on strategic financing and strategic partnerships, which would serve as inter-agency platforms to exchange information and knowledge on innovative financing and public-private partnerships. The Fund looked forward to contributing to wider development work with UNDP and other partners in making the international financial architecture responsive to the needs of LDCs and in addressing the issue of missing middle finance. UNCDF continued to be engaged in evaluation, partnerships and knowledge sharing, and was committed to working with the Board. Innovation was key to the Fund's approach, as seen in how digital finance was at the heart of its efforts to expand access to financial services and its work with policymakers, regulators and service providers to ensure the digital ecosystem worked in the service of inclusion.

44. The Executive Board adopted decision 2018/7 on the report on results achieved by UNCDF in 2017.

VIII. United Nations Volunteers

45. The Associate Administrator, UNDP, introduced the item and the Executive Coordinator, United Nations Volunteers (UNV), presented UNV: Report of the Administrator (DP/2018/14).

46. Board members welcomed the report and final results of the UNV Strategic Framework, 2014-2017, recognizing its transparent overview of successes and challenges. UNV had an important role in United Nations reform by helping the United Nations development system localize the 2030 Agenda and the Sustainable Development Goals by building national capacities, strengthening local participation, promoting national and local ownership of development and increasing sustainability of development initiatives.

47. Delegations appreciated that UNV had, in its Strategic Framework, 2018-2021, adapted targets in response to trends in the numbers of UN-Volunteers, and were pleased to see the higher number of online UN-Volunteers. They welcomed the larger proportion of national to international UN-Volunteers in 2017, the balance between age and gender and the decision to focus on supporting national capacity development through volunteerism. The number of UN-Volunteers hailing from the South testified to the remarkable contribution UNV was making to South-South cooperation. They welcomed UNV work to support persons with disabilities, and partnership with UNDP to establish a joint talent programme for young professionals with disabilities, including through its United Nations Youth Volunteer modality. UNV had to uphold the highest standards of ethical and professional conduct, ensure measures to protect personnel and beneficiaries, and ensure zero tolerance on sexual exploitation and abuse and sexual harassment.

48. Board members commended UNV for improving transparency, accountability and efficiency in delivering institutional effectiveness through change management. They were pleased to see that efforts to institutionalize results-based management, including by reducing personnel and strengthening regional presence, was making UNV more efficient and fit for purpose. They acknowledged the UNDP Office of Audit and Investigations audit, evaluation of the previous strategic plan and transparent reporting to the Board. Delegations noted that some of targets on integrating volunteerism in national frameworks had not been met, and encouraged UNV to balance activities between mobilizing volunteers and supporting country-led volunteer schemes.

49. Delegations commended UNV for supporting United Nations organizations to deliver on their strategic plans through volunteerism. They welcomed the drive to improve volunteer solutions with United Nations system organizations and partners for the implementation of the Goals, including through South-South cooperation, and stressed the need to partner with the private sector and civil society.

50. Delegations expressed concern with the decline of financial contributions to UNV and appealed to countries, in a position to do so, to increase contributions to core resources. They welcomed UNDP investment in UNV and encouraged UNDP to deepen its engagement with the Board in UNV financial and investment discussions. They underscored the importance of the Special Voluntary Fund and called on countries to contribute.

51. In response, the Executive Coordinator highlighted that UNV strongly supported all pillars of the United Nations system, in particular peacekeeping and United Nations reform, through the high numbers of UN-Volunteers working in resident coordinator offices, which would likely expand with the passage of General Assembly resolution 72/279. UNV was closely engaged in discussions with the United Nations Sustainable Development Group to gauge where UNV and UN-Volunteers could fill gaps.

52. The Executive Board adopted decision 2018/8 on UNV: Report of the Administrator.

UNFPA segmen.

IX. Revised integ ated budget, 2018-2021, including change management

53. The UNFPA Depu y Executive Director (Management) presented the draft revised integrated budget, 2018-2021, bas d on the results of the comprehensive resources review. In turn, the Chief, UNFPA Budget Sectio , gave a detailed presentation.

54. Board members we comed the Fund's transparency in consultations on the budget and change management processes. They supported the Executive Director's restructuring vision as necessary to achieve financing a ms, and encouraged donors to allocate contributions to UNFPA regular resources. They welco ed the stronger focus on field work and commitment to channel new funding to programmi g and to bolster efficiency and effectiveness. They welcomed UNFPA commitment to implem nti g resolution 72/279 on repositioning the United Nations development system, including cost haring of a revamped resident coordinator system.

55. Delegations welco ed the use of separate budget lines to safeguard internal oversight, evaluation and United Nations reform, and the budget breakdown against the four outcome areas of the Strategic Plan. ut stressed that output-level results were needed for Member States to understand how the Fund spent its resources against its mandate – crucial for engagement in the structured funding dialogue. Delegations were committed to ensuring full funding of the budget and resource alignment gainst agreed priorities. They sought details on expected results from the change management rocess, and underscored the need for analysis to assess potential consequences.

56. Other delegations: (a) welcomed proposed staff relocations to support UNFPA assistance in humanitarian settings; (b) urged the Fund to revisit its programme strategy and theory of change, and ensure results-base budgeting was used effectively; (c) encouraged UNFPA to increase its budget by 1 per cent for programmes, and sought details on the $14 million investment on premises; (d) stressed the importance of balancing stronger field support with strong support to Member States in inter overnmental processes; (e) urged swift implementation of the Executive Director's restructuring vision as a means to depolarizing sexual and reproductive health and reproductive rights; (f) ked the Fund to show clear links between the budget and strategic plan outcomes; (g) encourage UNFPA to engage with the Secretary-General office on his proposed regional restructuring; and (h) stressed the need to reflect in the budget the repositioning of the resident coordinator sys em, and planning with United Nations organizations in dialogue with Member States.

57. In response, the Deputy Executive Director (Management) underlined that change management processes were driven to make UNFPA fit-for-purpose to deliver. While the Fund supported United Natio s reform and would proactively implement resources review depended on implementation of those reforms, especially for regional, country team and resident coordinator system reconfigurations.

58. The Chief, Resource Planning and Budgeting, noted that the draft revised integrated budget (table 5) provided overall resources by strategic plan outcomes for development outcomes and for organizational effectiveness and efficiency outputs, including breakdowns between core and non-core resources. The budget did not include breakdowns by strategic plan outputs, though annual expenditures at outcome and output levels were included in the annual report of the Executive Director. The Fund had been very conservative in projecting income.

59. The Director, Division of Communications and Strategic Partnerships, noted that UNFPA had sought to be as conservative and realistic as possible in projections for non-core resources,

and reassured the Board of the Fund's capacity to raise non-core resources. He further noted that UNFPA was on the forefront of the structured funding dialogue and would present a formal proposal to the Board at the second regular session 2018, outlining a new funding architecture and identifying how funding funnelled into different outcomes and outputs for transformative results.

60. The Executive Board adopted decision 2018/9 on the draft revised UNFPA integrated budget, 2018-2021.

X. Statement by the Executive Director and annual report of the Executive Director

61. In her statement, the Executive Director highlighted how the targets set in the Strategic Plan, 2014-2017 for sexual and reproductive health services had had notable impact, especially in crisis settings. UNFPA had made steady progress in achieving the plan's targeted results in all regions, including towards universal access to sexual and reproductive health and reproductive rights. Progress was most visible in priority countries, except those in crisis, and especially in least developed countries, which received most of the programme budget. She highlighted significant declines in maternal mortality, adolescent childbearing and child marriage, progress in satisfying unmet need for family planning, achieving results for adolescents and youth, changing social and culture attitudes for gender equality, and seizing the power of data and analysis for national development plans. She presented the annual report of the Executive Director: cumulative review of the UNFPA Strategic Plan, 2014-2017 (DP/FPA/2018/4, Part I), the statistical and financial review, 2017 (DP/FPA/2014/4, Part I, Add.1) and the report on the recommendations of the Joint Inspection Unit in 2017 (DP/FPA/2018/4, Part II).

62. The Executive Director underscored the role partnerships with all stakeholders had played in driving achievements, along with efforts to build a UNFPA that was responsive, efficient, effective and innovative. Challenges nevertheless remained. Building on lessons, UNFPA was implementing the Strategic Plan, 2018-2021 by investing in an integrated programme support initiative and strong evaluation function. The Fund was using the three transformative results of the strategic plan to drive partnerships, advocacy and resource mobilization, and intensifying funding dialogue. She encouraged Member States to make early, multi-year core resource contributions to enable better planning and ensure lasting, sustainable results. The Fund hoped to reach 150 contributors to core funding in 2018. She drew attention to the Fund's launching of the Humanitarian Action Thematic Fund to bolster its work in crisis situations. She highlighted UNFPA work to advance young people's health, well-being and rights, and commitment to co-lead the United Nations system-wide initiative on youth, peace and security and the Compact for Young People in Humanitarian Action.

63. On General Assembly resolution 72/279 on repositioning the United Nations development system, the Executive Director stressed the Fund's ongoing strategic repositioning regarding how it was supporting intergovernmental and multilateral processes, which would result in the realigning of UNFPA structures, and a strengthening of linkages between intergovernmental processes and programme delivery in the field. She noted that the changes would see the transfer of the Executive Board Branch to the Office of the Executive Director. UNFPA would implement those changes by September 2018, and update the Board at the second regular session 2018. She underscored that the comprehensive resources review was an optimization exercise and fundamentally about making UNFPA more fit for purpose. She also underscored the UNFPA commitment to preventing sexual exploitation and abuse through zero tolerance and defending sexual and reproductive health and reproductive rights. UNFPA would engage with the United Nations regional economic commissions and partners in the 2018 ICPD reviews, which would feed into the report of the Secretary-General for Commission on Population and Development in 2019, and contribute to the High-level Political Forum on Sustainable Development in late 2019.

64. Across the Board, members showed strong support for the Fund's mandate and welcomed evidence showing its contribution to the 2030 Agenda, especially for women and girls, and in improving access to sexual and reproductive health and reproductive rights. They drew attention to progress against the three transformative goals of the Strategic Plan, 2018-2021. They expressed appreciation for the Fund's close engagement with the Board to make the Fund fit for purpose to deliver on the Goals and 2030 Agenda, which they stressed could not succeed without the Fund's role driving forward ICPD principles. Delegations underscored the importance of the Fund's role in fostering social, cultural and behavioural changes for gender equality and women's empowerment, and updating the UNFPA Strategic Framework on Gender Mainstreaming and Women's Empowerment. Delegations showed strong support for the Fund's focus on youth as agents of change and commitment to the United Nations youth agenda. Other delegations requested that UNFPA give special attention to the unique demographic needs of ageing societies. Overall, delegations supported strengthening the Fund's role in humanitarian and crisis situations, especially to address gender-based violence and violence against women, and in bolstering the humanitarian-development-peace nexus; others cautioned that diverting development funds for humanitarian crises could become an impediment to ICPD progress in least developed countries.

65. The Board encouraged UNFPA to proactively engage and give full support to implementing General Assembly resolution 72/279, and to a system-wide coordinated, coherent approach, as laid out per the 2016 quadrennial comprehensive policy review. That included the Fund's full support and contribution to the cost-sharing of a reinvigorated resident coordinator system, building on agreements established in the common chapter of the strategic plans of UNDP, UNFPA, UNICEF and UN-Women. In that regard, they encouraged UNFPA to fully implement Joint Inspection Unit recommendations.

66. A group of delegations encouraged UNFPA and the four United Nations organizations to align implementation of their strategic plans, 2018-2021 to United Nations reform, in particular outcomes specified in General Assembly resolution 72/279, and to share implementation plans with the Board. They requested that the organizations make available in full their contributions to the cost-sharing mechanism to fund the reinvigorated resident coordinator system. They called on the organizations to work together on a strong system-wide strategic document that stipulated comparative and collaborative advantages, and included plans to strengthen system-wide result reporting through the creation of a system-wide independent evaluation unit. At country level, the group called on the Fund to review implications of the new resident coordinator system set-up and to report to the Board how it would impact the UNFPA business model and delivery against its transformative results. They urged the organizations to move towards common premises and common business operations.

67. Many delegations stressed that achievement of the 2030 Agenda required a strong focus on gender equality, the rights of women and girls, and a human rights-based approach. On a related topic, delegations urged UNFPA and United Nations organizations to fully implement the zero tolerance policy on sexual abuse and exploitation and sexual harassment. Other delegations urged UNFPA, in its programming and operations, to operate in accordance with accepted United Nations values and the principle of national ownership. One delegation, while supporting UNFPA provision of informed and voluntary family planning and maternal and newborn health care, stated its opposition to any programme of coercive abortion or involuntary sterilization.

68. Board members welcomed consultations on the revised integrated budget, 2014-2017, change management process, and comprehensive resources review. Some delegations expressed concern about consequences of not meeting resource targets; others felt the proposal required more serious reflection before reaching a decision. Delegations noted the Fund's decision to reposition units and staff within the organization, including shifts to the field, but requested details on what the efficiency gains would be, and expressed concern about the potential negative effects which that and similar moves might have on its mandate delivery. There were calls for UNFPA to do more

on norm setting and to concentrate on its normative function at the headquarters level, though one delegation sought clarity on how UNFPA could pursue its normative function in light of cuts planned in the comprehensive resources review.

69. Board members expressed serious concern with the continued decline in core resources and its potential impact on the Fund's ability to deliver on its mandate. They commended UNFPA efforts to address the imbalance between core and non-core resources, and stressed the need for UNFPA to continue to pursue strong partnerships, including with the private sector, civil society, and through public-private partnerships, and to explore innovative means through which to mobilize resources.

70. Delegations stressed the importance of continued UNFPA investment in and building of its results-based management, monitoring, evaluation, reporting, accountability and transparency capacities, including through better availability of data. On the annual report, they sought deeper analysis on why some indicators had not been reached, and requested that future reports include how UNFPA was strengthening leadership and internal management at country level. They welcomed the Fund's innovative demographic data collection and analysis work and encouraged it to invest in and explore innovative development solutions, especially in data and analysis.

71. In response, the UNFPA Executive Director affirmed that UNFPA worked to create a world where every pregnancy was wanted, every childbirth safe and every young person's potential fulfilled. The Fund's youth work focused on humanitarian, peace and development dimensions, in the knowledge that subsequent generations would form part of the decision-making structure. UNFPA was focused on change management and reform to make it fit for purpose to deliver on the 2030 Agenda and ensure a differentiated response to country contexts, building on data, analysis, monitoring, evaluation, reporting and power of persuasion. The Executive Director reiterated that change management was an ongoing process, in which UNFPA was pursuing a phased implementation that allowed it to simultaneously delivery on its ICPD mandate. The revised integrated budget had benefitted from the consultation process, and would continue to develop in light of the repositioning of the United Nations development system. Partnerships were crucial and UNFPA had revitalized its global advisory council composed of over 20 stakeholders from civil society, academia, the private sector and United Nations entities to advise the Fund. To ensure successful implementation of its mandate, UNFPA pursued prudent resource management worked to attract resources to make a difference.

72. The UNFPA Deputy Executive Director (Programme) explained that the reasons for the rise in HIV infections among adolescent girls in southern Africa were social norms and gender inequality. In response, UNFPA focused on sexual education, prevention, balancing prevention and treatment, and taking an integrated approach to tackling new infections. The Fund was engaged in setting the agenda, preparing best practice papers and assisting countries focused on prevention in anticipation of the International Conference on HIV/AIDS.

73. The Director, UNFPA Division of Communications and Strategic Partnerships underlined UNFPA concern about decline in core resources. Building on the structured funding dialogue, UNFPA pursued predictable, multi-year funding for core. The Fund sought to strengthen its ability to attract core resources, including transparency on use of donor funding and using different tools such as country programme documents, streamlined architecture for resource mobilization, individual giving, and private sector and international financial institution contributions. He assured the Board that the $25 million a year increase in non-core was done after thorough review of its income projections. By mid-2018, UNFPA had recorded $430 million in non-core. Early, multi-year payments were crucial for stability and viability.

74. The UNFPA Deputy Executive Director (Management) reiterated the Fund's commitment to zero tolerance on sexual exploitation and abuse and sexual harassment, focused on prevention and detection, and support to victims. The proposed investment in that area in the revised integrated budget was UNFPA-focused and not intended to be system-wide. UNFPA accorded great

importance to accountability and worked with the Joint Inspection Unit, and was committed to United Nations reform, which was reflected in the change management and comprehensive resources review and integrated in programming and operations with United Nations development organizations.

75. The Director, UNFPA Programme Division highlighted that 70 per cent of UNFPA country office presence was integrated with other United Nations organizations' offices, with UNFPA representation often assumed by UNDP resident representatives. The reform priority was to work through the new UNDAF structure and revamped resident coordinator system, while identifying accelerators for the Goals through a human rights-based approach – so that sexual and reproductive health received the attention it deserved. The common chapter was a precursor to resolution 72/279, which included gender mainstreaming as a key element, as did the Strategic Plan, 2018-2021.

76. The Executive Board adopted decision 2018/10 on the annual report of the Executive Director.

XI. UNFPA country programmes and related matters

77. The Regional Director, East and Southern Africa, UNFPA introduced the item and presented the country programme documents for Kenya and Rwanda. Also up for discussion was the second one-year extension of the country programme for the Syrian Arab Republic, as well as the first one-year extension of the country programme document for Cuba.

78. The Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Kenya (DP/FPA/CPD/KEN/9).

79. The Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Rwanda (DP/FPA/CPD/RWA/8).

80. The Executive Board approved the second one-year extension of the country programme for the Syrian Arab Republic, and took note of the first one-year extension of the country programme for Cuba as contained in document DP/FPA/2018/3.

XII. Evaluation

81. The Director, UNFPA Evaluation Office, introduced the annual report of the Evaluation Office for 2017 (DP/FPA/2018/5) and the UNFPA Deputy Executive Director (Programme) provided the management update on the evaluation function in UNDP, including the implementation of the evaluation recommendations (DP/FPA/2018/CRP.3).

82. In the sole intervention, a group of delegations welcomed the breadth of the report, its summary of reviews and reports, and its annual assessment of performance. They focused on six elements: (a) review of the evaluation function; (b) performance of the evaluation function; (c) evaluation as learning; (d) resource allocation; (e) meta-analysis of UNFPA engagement in highly vulnerable contexts; and (f) joint functions.

83. *Review of the evaluation function.* The delegations welcomed that the evaluation function had gained in maturity and expertise and was functioning independently. They noted the need for increased coordinated interaction between the Evaluation Office, regional offices and the Programme Division throughout the evaluation planning and management process, and looked forward to receiving the revised evaluation policy.

84. *Performance of the evaluation function.* The delegations expressed appreciation for the improved quality of evaluations but reiterated their concern about the coverage of decentralized evaluations. They urged the Evaluation Office and the Programme Division to continue to work

together to ensure planning was realistic and that resources were prioritized for evaluations at the country level once an evaluation was planned. They welcomed the development of a new action plan on internal evaluation capacity development and looked forward to feedback on the impact obtained once available.

85. *Evaluation as learning*. The delegations were pleased that the report included examples of how UNFPA policy and practice had changed as a result of the implementation of evaluation recommendations. They stressed that systematic, thorough implementation of management actions recommended by evaluations was key to ensure that evaluation findings would lead to learning and better results on the ground. They welcomed the Management Response Tracking System and urged UNFPA to continue to shift the focus from proving to improving results.

86. *Resource allocation*. The delegations underlined the need to allocate sufficient resources to the evaluation function and welcomed the Fund's plan to increase resources for evaluation in 2018, despite the funding drop in 2017. They stressed the importance of the 3 per cent target (as opposed to the existing 0.83 per cent) established by the revised evaluation policy to guide management when allocating funding. They regretted that country-level evaluations were directly impacted by austerity measures in 2017, and urged the Evaluation Office to work with UNFPA management to minimize the likelihood of any recurrence in future.

87. *Meta-analysis of UNFPA engagement in highly vulnerable contexts*. The delegations were pleased with the lessons learned in 25 humanitarian countries, particularly the need for a stronger focus on preparedness to manage humanitarian needs. They supported the call to ensure the UNFAP office structure accurately reflected humanitarian needs within the scope of the Strategic Plan, 2018-2021, and looked forward to hearing how UNFPA intended to follow up on the conclusions and suggestions of the meta-analysis and how it would improve its humanitarian engagement.

88. *Joint function*. The delegations welcomed UNFPA engagement in independent system-wide evaluations and in the United Nations Evaluation Group (UNEG), including through the United Nations System-wide Action Plan, and encouraged the Evaluation Office to continue its engagement. They reiterated the importance of integrating gender equality in evaluation reports and undertaking joint evaluations, including on the common chapter of the strategic plans of UNDP, UNFPA, UNICEF and UN-Women. They also sought information on plans for joint country portfolio evaluations at country level.

89. In response, the Director, UNFPA Evaluation Office reconfirmed the commitment of the Evaluation Office to work with the Programme Division, the Division of Human Resources and regional offices to improve evaluation implementation rates and coverage. It had begun to strengthen cooperation and was seeing improved implementation rates, which would be reflected in the 2018 annual report. The office was committed to working with United Nations organizations' evaluation offices. UNDP, UNFPA, UNICEF and UN-Women had begun collaborating on conducting a joint evaluation of the common chapter. The office was engaged with UNEG and Inter-agency Humanitarian Evaluation Group, and a number of joint evaluations were scheduled under the quadrennial budgeted evaluation plan, 2018-2021. The office was planning joint UNDAF evaluations and conducting country programme evaluations for groupings of small country offices. The Evaluation Office was pursuing a consultative process with different stakeholders to revise the evaluation policy.

90. The UNFPA Deputy Executive Director (Programme) pointed out that the Board decision to allocate 3 per cent of core resources for evaluation had come at a time when the Fund's core constituted two thirds of funding. That ratio had dropped to one third. As part of the revision to the evaluation policy and to ensure evaluation funding, it was necessary to allocate 3 per cent from non-core resources as well. The number of evaluations and resources for evaluations had both increased, despite austerity, because UNFPA had safeguarded the evaluation budget. To

continue safeguarding the evaluation function, UNFPA was implementing a 'ring fencing mechanism' to ensure country offices had access to funding for evaluation.

91. The Executive Board adopted decision 2018/11 on UNFPA evaluation.

UNOPS segment

XIII. Statement by the Executive Director and annual report of the Executive Director

92. In her address, the Executive Director stated that 2017 had been a record year. A growing number of governments requested UNOPS services and delivery increased more than 25 per cent. UNOPS continued to focus on local and community levels, often in emergency and humanitarian settings. In presenting her annual report (DP/OPS/2018/2), she focused on the operations, infrastructure, procurement, shared services and challenges. In 2017, UNOPS had continued operational work in humanitarian settings to rebuild infrastructure and use green energy. UNOPS used its expertise to address broader social concerns related to culture, environment and economic status to build safer, more stable communities. In delivering resilient, sustainable infrastructure, UNOPS invested in industry standards, international best practices, and people processes and approaches. United Nations development system organizations were more efficient and effective when working with UNOPS.

93. The Executive Director underscored the importance of making best use of resources for successful implementation of the Sustainable Development Goals. The majority of UNOPS delivery in 2017 came through procurement, more than half of which went to local suppliers. The focus was to encourage national public procurement models that were sustainable, more efficient, transparent, and had value for money. UNOPS provided management support services to United Nations organizations and hosted the United Nations global marketplace. UNOPS was committed to implementing General Assembly resolution 72/279 on repositioning the United Nations development system, using its comparative advantages to drive cost efficiency and innovation. She highlighted that because cost sharing of the resident coordinator system would negatively affect UNOPS cost-efficiency, it would have to transfer added costs to its partners. Likewise, the organization's light country presence was part of its business model; any changes to adapt to reform could impact cost efficiency and delivery. UNOPS would proceed with caution and, under Board guidance, revert to investing surplus income to meet new demands.

94. Board members commended UNOPS results against its Strategic Plan, 2014-2017, and the continued growth in service demand. They welcomed the report's alignment with the Global Reporting Initiative and comprehensive overview of operations in infrastructure, project management and procurement. They reiterated their strong support to UNOPS social impact investment initiative, including large-scale investments in sustainable resilient infrastructure (focused on renewable energy and affordable housing) and promotion of global innovation, through block chain and artificial intelligence technology.

95. Delegations appreciated UNOPS unique role within the United Nations development system as the only self-financing organization, and stressed it had a central role optimizing use of resources in United Nations organizations. They encouraged UNOPS to strengthen its cooperation with United Nations organizations, especially in procurement and infrastructure. They expected UNOPS to work with United Nations organizations to implement resolution 72/279, and requested concrete plans on how. Delegations urged UNOPS, as the largest United Nations procurement organization, to lead reform targets to harmonize country team back office functions by 2022 and scale up business operation strategies. They encouraged the Executive Director to engage with the Secretary-General on the potential negative impact of United Nations reform on UNOPS.

96. Board members welcomed progress made in gender equality in recruitment, and encouraged UNOPS to secure gender balance among employees, and focus on gender equality and women's empowerment in all projects. They suggested that UNOPS include reporting on targets for securing equal access for persons with disability and minority groups. They encouraged UNOPS to report on responsible business conduct in line with United Nations Guiding Principles for Business and Human Rights, and include information on how it managed risks, including assessing conflict sensitivity and potential negative impacts for vulnerable groups. Delegations strongly supported UNOPS zero tolerance policy on sexual exploitation and abuse and sexual harassment, and underscored the need to focus on implementing institutional and cultural changes, and ensuring a system-wide, coherent United Nations approach.

97. A group of delegations welcomed the expansion of UNOPS operations in the small island developing states (SIDS). UNOPS large-scale regional coverage helped to boost production capacity and raise the level of service in SIDS and developing countries, which had a direct impact on poverty reduction and sustainable development and implementation of the 2030 Agenda. They expressed strong support for UNOPS stable finances, transparent mandate and sharing of best practices in operational efficiency and effectiveness.

98. In response, the Executive Director stressed that United Nations reform would be at the centre of UNOPS work, and it would explore ways to translate the negative effects of reform into positives. Its cost efficiency, effectiveness, transparency and strong record of delivery would help determine how it could contribute to reform. The organization would continue to report to the Board in line with the Global Reporting Initiative and seek ways to conduct joint reporting with United Nations organizations. UNOPS was committed to gender parity and had devised a gender mainstreaming policy for project implementation. It was engaged with partners to explore how to expand its funding sources, including through the social impact investing initiative and its concept for innovation centres to delivery innovation. Youth were at the heart of the UNOPS mandate and it would continue to drive youth as agents of change. UNOPS would continue to work with partners to ensure public procurement was transparent, competitive and innovative for greater cost efficiency and impact.

99. The Executive Board adopted decision 2018/12 on the annual report of the UNOPS Executive Director.

Joint segment

XV. Internal audit and oversight

100. The Director, Office of Audit and Investigations (OAI), UNDP, presented the report on internal audit and investigations (DP/2018/15), and the Director, Bureau for Management Services, UNDP, provided the management response. The Director, Office of Audit and Investigations Services (OAIS), UNFPA, presented the report on the UNFPA internal audit and investigations activities in 2017 (DP/FPA/2018/6), the opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control (DP/FPA/2018/6/Add.1) and mentioned the annual report of the Audit Advisory Committee (DP/FPA/2018/Add.2); the UNFPA Deputy Executive Director (Management) provided the management response (DP/FPA/2018/6/CRP.5). The Director, Internal Audit and Investigations Group, UNOPS, presented the activity report for 2017 of the Internal Audit and Investigations Group (DP/OPS/2018/3) and the Legal Counsel, UNOPS, provided the management response.

UNDP

101. A group of delegations welcomed the 'satisfactory' opinion for governance, risk and control, and commended UNDP for its progress. They encouraged OAI to elaborate on the rationale for

opinions and include reporting against performance indicators and the comprehensive risk assessment. They were pleased the third external quality assurance review for internal audit 2017 had assigned a 'generally conforms' rating to internal audit activities, which attested to OAI professionalism and standards. They welcomed insights of external quality assurance reviews and encouraged OAI to report against their recommendations. They appreciated OAI work on inter-agency audits, and keen to learn how such system-wide work could be organized more efficiently.

102. The group commended UNDP management for its high implementation rate of audit recommendations and reducing the number of long outstanding recommendations. They urged management to pay attention to 'high priority' recommendations and prioritize recurring issues on programme and project management, the harmonized approach to cash transfers (HACT), implementing partner management, procurement, and governance and financial management. The group sought details on how UNDP management supported implementation of new standards for quality programming; looked forward to evidence of procurement improvements in future reports; and requested information on the degree of compliance with assessments and assurance requirements under HACT. The group welcomed the structure of regular audits for UNDP investments in affiliated organizations and called on UNDP to engage with the Board on timing and placement of audits for UNCDF, UNV and UNOSSC.

103. The group sought OAI's views on the caseload's significance for UNDP effectiveness in preventing, detecting and responding to fraud – in particular steps UNDP had taken to develop a comprehensive fraud strategy. They were keen to learn about challenges and strategies to recover funds and speed up reclaim processes. They requested that the 2018 report include a chart mapping out comparative year-to-year information indicating where losses incurred in one year had been recovered in a subsequent year. The group sought details on use and effectiveness of hotlines and mechanisms for reporting complaints, especially on human rights abuses, sexual exploitation and harassment, environmentally damaging impact of programmes, and OAI's view on use and effectiveness of such mechanisms.

104. In response, the Director, Office of Audit and Investigations confirmed that OAI was prepared to provide detailed reporting and to work with United Nations system organizations' audit offices to invest in and improve audit work. He underscored the usefulness of relying more heavily on the cross-reliance paradigm for joint audits, which reduced scope and created a comprehensive platform for risk assessments and controls. OAI had detected no systemic control breakdown in UNDP in 2017. Despite the number of 'partially satisfactory with some improvements needed' audit ratings, the total portfolio for 2017 was promising, with room for improvement in governance risk management and controls. Lack of OAI visibility was a possible cause of potential underreporting on sexual exploitation and abuse and sexual harassment in UNDP; OAI was working with management to expand and strengthen reporting and response services.

105. The Director, Bureau for Management Services, UNDP, confirmed that UNDP had annual audit plans for UNCDF, UNV and UNOSSC, for which UNDP would present information in future. On fraud prevention and fund recovery, UNDP had established in 2016 an inter-bureau standing board on recovery and in 2017 a written self-attestation by heads of country offices that they had met controls on fraud prevention. The 2017 consolidated code of ethics provided clear guidance on ethics and included mandatory ethics training. UNDP was developing anti-fraud materials whose release was planned for 2017. UNDP had introduced measures ensuring transactions took place at offsite centralized levels to avoid conflicts of interest at country level. She highlighted that there was over 90 per cent coverage rate of HACT. UNDP had set up an anonymous reporting system on sexual exploitation and harassment to address potential underreporting and included a contracted hotline for reporting and counselling services.

UNFPA

106. A group of delegations welcomed the reports and management responses, and noted the OAIS opinion of 'some improvement needed' with regard to the adequacy and effectiveness of UNFPA governance, risk management and internal control processes. They found the accompanying rationale on key risk areas useful, and urged UNFPA management to make progress in areas identified as needing improvement – the integrated control framework, enterprise risk management, organizational structure and staffing, headquarters and regional office support and oversight, programme management and operations management. Progress in those areas, they stressed, would help to reduce recurring audit recommendations.

107. The group encouraged UNFPA management to continue reducing the number of audit recommendations outstanding for more than 18 months. They sought details on challenges in implementing recommendations in a timely manner, and encouraged management to address the challenges of delayed management responses to enable finalizing audit reports faster. They welcomed that UNFPA management continued protecting OAIS from austerity measures, but were concerned with the reporting mismatch between resources provided and OAIS needs, including resulting risk. Noting that OAIS had been unable to meet scheduled audit cycles, they requested that OAIS articulate the level and nature of financial and other resources it required to fulfil its mandate. They urged UNFPA management to ensure that OAIS was sufficiently resourced to deliver, including adequate audit coverage and efficiently handling its investigation caseload, and encouraged OAIS in future to include key performance indicators.

108. The group welcomed OAIS progress in transparency and responsiveness, and noted that fraud and financial irregularities were the largest caseload. They sought OAIS views on what the caseload indicated about effectiveness of the approach to preventing, detecting and responding to fraud. They requested management updates on pending cases before the disciplinary bodies and details in future reports and management responses on the slow pace of recovery of losses. They encouraged OAIS to continue supporting UNFPA management and inter-agency initiatives to address sexual exploitation and sexual harassment.

109. In response, the Director, Office of Audit and Investigations Services, UNFPA, confirmed OAIS would articulate its resource needs and report against performance indicators in future. Regarding recommendations outstanding for more than 18 months, OAIS had been reviewing them, noting that the information and communication (ICT) transformation affected many of them. Delays in finalizing audits often resulted from cross-cutting issues that required coordination among different units. In 2017, the detection of many fraud cases had come via tips or through HACT audits. She stressed that the ICT transformation should enable better detection by analysing data in a more automated way. OAIS would continue to engage in interagency work, despite inherent challenges in undertaking joint audits, including deciding when they were pertinent or not.

110. The UNFPA Deputy Executive Director (Management) stated that the main challenge of recurring audit recommendations was they often dealt with compound complex issues. UNFPA had addressed many of them and would resolve remaining recommendations through ICT transformation, supply chain management policies, and revisions to programming processes. UNFPA welcomed innovative OAIS approaches to conducting audits, noted the impact of risk tolerance levels, and drew attention to the additional resources allocated in 2018 to address the outstanding cases before disciplinary bodies.

111. The Executive Board adopted decision 2018/13 on the reports of UNDP, UNFPA and UNOPS on internal audit and investigations and management responses.

XVI. Reports of the UNDP, UNFPA and UNOPS ethics offices

112. The Director, Ethics Office, UNDP, presented the activities of the UNDP Ethics Office in 2017 (DP/2018/16) and the Director, Bureau for Management Services, UNDP, provided the

management response. The Director, Ethics Office, UNFPA, presented the UNFPA report of the Ethics Office 2017 (DP/FPA/2018/7) and the UNFPA Deputy Executive Director (Management) provided the management response. The Legal Counsel, UNOPS, presented the activities of the UNOPS Ethics Office in 2017 (DP/OPS/2018/4) as well as the management response.

113. No delegation intervened to comment on the reports of the ethics offices of UNDP, UNFPA and UNOPS.

114. The Executive Board adopted decision 2018/14 on the reports of the ethics offices of UNDP, UNFPA and UNOPS.